SECRET NOFORN/NOCONTRACT

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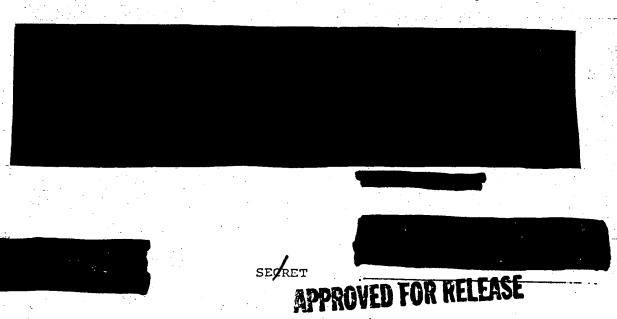
MEMORANDUM

MEXICO-CUBA: THE COURSE OF RELATIONS

Summary

The relationship between Mexico and Cuba continues to be mutually respectful and occasionally warm, but more a matter of form than substance. It continues to serve the domestic and international political needs of the two countries, but has little effect on their more concrete economic needs. Through Mexico's long association with Castro, President Lopez Portillo enhances his political standing with the left at home and embellishes his image of independence from the US. For Castro, association with Mexico boosts his regime's Third World and hemispheric legitimacy.

The purpose of the 17-18 May get-together at Cozumel was evidently to give the two leaders a chance to meet and to bolster Castro's image prior to the nonaligned summit in September. The joint communique indicated no major



substantive agreements. It mentioned agricultural exchanges, sugar industry cooperation, and cultural and educational interchanges as well as support for the new international economic order, disarmament, and standard international principles. The only notable departure from the usual pattern was the call for an end to the economic blockade of Cuba and an indirect reference to the elimination of the US naval base at Guantanamo Ray.

Lopez Portillo's recent cabinet changes were motivated by domestic considerations, but were probably timed so that the Cuban leader's visit would mute expected dissatisfaction from the left.

Mexico's break in relations with Nicaragua was probably encouraged by Castro, but Lopez Portillo is not likely to wage on his own a continuing international campaign against the Somoza government. Castro invited Lopez Portillo to attend the nonaligned summit in Havana, and the Mexican President might accept.

The Summit: Mexico

Given the history of Mexico's relations with Cuba, (see Annex) it was probably inevitable that the two leaders would meet, and reasonable to expect that they would be attracted to each other. The cultural, historical, and emotional ties—from which Castro drew frequent rhetorical inspiration—are significant and probably chiefly responsible for the successful personal dynamics of the summit.

It appears that both men wanted the meeting, and both were apparently caught up in the attendant emotion.

Lopez Portillo's admiration for Castro as one of the "prominent personalities of this century" appears genuine although, as a self-proclaimed pragmatist, he recognizes there are few prospects for significant expansion of relations beyond solidarity on international issues.

Lopez Portillo probably views Cuba essentially as a suitor, albeit one with a certain exotic charm.

Although Lopez Fortillo praised Castro personally, he avoided commenting on the Cuban political system. This became more noticeable when, during Costa Rican President Carazo's visit two days later, Lopez Portillo lauded Costa Rica's liberal democracy as "the system in which we believe."

Castro held the spotlight most of the time, which probably suited Lopez Portillo, who expected to profit more from the fact of the visit than from the specifics. The summit reaffirmed Mexico's independence from US influence and boosted Lopez Portillo's standing with leftists at home just six weeks before the first national election test of his party under the new political reform program. Not coincidentally, he invited leaders of the four opposition parties of the left to the Cozumel summit.

In this same sense, the Castro visit was apparently utilized to mute an expected outcry from the left over the removal of Secretary of Government Reyes Heroles.

President's reasons for simultaneously removing two other cabinet ministers appear unrelated to the Castro visit on the elections, except that the departure of more conservative Foreign Secretary Roel—probably simply for deficient performance—would be seen as balancing somewhat Reyes' removal.

The breaking of relations with Nicaragua two days after Castro's departure tilted that balance more toward

the left. Lopez Portillo had probably been pondering the break for some time, but Castro--who bitterly denounced Somoza at the Cozumel summit--may have been the impetus to action.

Lopez Portillo may have felt that such a dramatic step as breaking relations was needed to prod the US into acting forcefully against Somoza; the Mexican President has said in the past that the US must resolve the Nicaraguan crisis. At the same time, Mexico probably remains reluctant to be seen acting in concert with the US--lacking other Latin American involvement--on a matter that could get messy.

It is unlikely that Lopez Portillo expected to use the Cozumel meeting to budge Castro on the Treaty of Tlatelolco, which prohibits nuclear weapons in Latin America. In view of Lopez Portillo's parallel interest in conventional arms restraint, however, he may have felt some concern over Cuban acquisition of Soviet Mig 23s last year.

Although Mexican oil sales to Cuba reportedly were discussed in general terms, the long-rumored quadrilateral oil deal-Mexican delivery of crude to Cuba on Soviet account in exchange for Soviet deliveries to Mexico's European customers, all in order to save on transportation costs-was apparently not consummated. In fact, Mexico would have to work out details with the USSR, not Cuba, and for the past year at least none of the parties concerned has seemed particularly enthusiastic about the matter.

The Summit: Cuba

From the Cuban perspective, politics—rather than economics—provided the rationale for the trip. No agenda had been prepared for the talks, and over half of Castro's 29-hour stay was taken up by ceremonial functions, spearfishing, and sightseeing. The two sides would seem to have had time to do little more than agree on the wording of the final communique.

Although initially concerned that Lopez Portillo would pursue a foreign policy more closely aligned with the US than his predecessor, Luis Echeverria, the Castro regime has been pleasantly surprised by his independent attitude toward Washington. Encouraged by what Cuba considered an unsuccessful trip by President Carter to Mexico in February, and by Mexico's subsequent willingness to support Cuba's bid for a seat on the UN Security Council next year, Castro probably looked at the summit in part as an opportunity to try to exacerbate irritants in Mexican-US relations.

Castro took advantage of his visit, for example, to blast the US for its treatment of illegal Mexican immigrants. He also made a point of reiterating Cuba's support "for the wise, patriotic, and courageous Mexican oil policy, which has decided to subordinate the energy wealth to national interests and not to industrialized capitalist nations."

The focus on the US naval base at Guantanamo Bay and the US economic "blockade" in both Castro's comments to the press and the final communique is a solid indication that Cuba intends to belabor the US on these two issues at the nonaligned summit in Havana in September and most likely later at the UN General Assembly. Castro apparently sees little chance of any significant improvement in relations with Washington until after the 1980 elections and probably believes Cuban pressure on these points will cost him little while keeping the US on the defensive.

Castro clearly enjoyed the brief respite that his visit provided from the mounting problems at home, but he undoubtedly would have preferred the greater public exposure that a trip to Mexico City would have ensured. The publicity that accompanied the trips to Mexico of Pope John Paul II, President Carter, and French President Giscard D'Estaing probably suggested that a road show of his own would enhance Cuba's international image at a time when many Third World leaders are debating the advisability of accepting his invitation to attend the nonaligned summit. He presumably settled for Cozumel on the advice of his security officials.

While the summit proved useful to Castro in allowing him to establish a personal relationship with Lopez Portillo, the Cubans were doubtless disquieted by the Mexican President's decision to oust Secretary of Government Reyes Heroles and Foreig. Secretary Roel on the eve of the visit. Reyes, especially, had been a valuable friend of the Cubans, and Roel reportedly was instrumental in pushing for the summit.

Havana probably expected little in the way of substantive bilateral economic cooperation. Havana realizes that Mexico offers a very limited market for Cuban experts—\$2.4 million in 1977—given Mexican self-sufficiency in sugar and Cuba's prior commitment of most of its other saleable commedities. On the import side, Cuba's serious hard currency shortage and the limited availability of Mexican credits argue against any major increase in Cuban purchases from Mexico beyond the present \$30 million annual level. The limited potential for bilateral trade is underscored in the summit's communique, which placed heavy emphasis on potential economic cooperation.

Prospects

The basic relationship between Mexico and Cuba is not expected to change significantly in the immediate future. There may be greater solidarity on some international issues, but this will be primarily symbolic. There does not appear to be any strong prospect for a significant increase in economic relations. Mexico has little need for Cuban exports, and Lopez Portillo's economic plans do not appear to envision granting credits on a scale that Cuba would require to buy significantly larger amounts of Mexican goods.

Lopez Portillo may accept Castro's invitation to attend the nonaligned summit, given the Mexican President's apparent new interest in foreign policy. Lopez Portillo might be allowed to address the meeting, and in any case Mexico would participate as an observer, which would allow it to claim neutrality on the more controversial issues. Lopez Portillo

his attendance at the summit would be a

much more meaningful indicator of Third World interest than the Cozumel meeting.

Mexico will probably continue to support Cuba for a seat this year on the UN Security Council, however, since Lopez Portillo probably sees no good reason to recant on the commitment he has already made.

On Nicaragua, Mexico probably wants what everyone else wants: Somoza's replacement by a stable democratic government. In addition to his general and specific roral concerns, however, Lopez Portillo may also see Mexico's interests directly jeopardized by destabilization of the Central American region. If Lopez Portillo's current effort to isolate Somoza diplomatically does not prosper, however, it does not seem likely that he will venture outside the political security of a multilateral initiative. Direct support to the Sandinista guerrillas—similar to aid given by Panama and Venezuela—is improbable.

Although the break with Micaragua is out of character for Mexico, it accords with other suggestions that Lopez Portillo may be inaugurating a new activist foreign policy. His first year or so in office was essentially introspective as he worked to restore economic stability. In the past year, however, he has increasingly focussed attention on foreign affairs. He has made state visits to the USSR, Japan, and China, and has entertained the heads of state of France, the US, and Cuba, as well as the Pope. The Mexican President is also planning to address the UN in September to propose an approach to world energy as the responsibility of mankind.

Since this initiative at the UN will probably include supplier swaps as in ingredient in more efficient energy use, Lopez Portillo may feel under some pressure to work out the differences with the USSR over the quadrilateral oil deal. Moreover, in addition to Mexico's share of the transportation savings, shipping oil to Cuba would deflect public fallout from any future natural gas sale to the US.

AMNEX

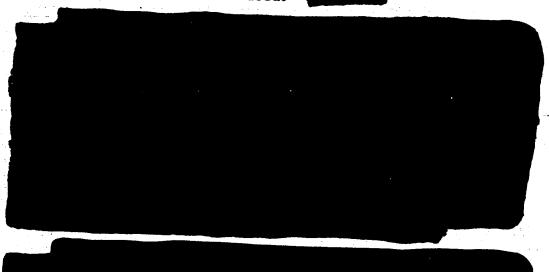
Past Relations Between Mexico and Cuba

Mexico is the only Latin American country to have maintained relations with Cuba throughout Castro's rule, a distinction that most Mexicans seem proud of. During the 1960s, however, the Mexican government was suspicious of Cuban efforts to export revolution.

Publicly, Echeverria kept up appearances by promoting Cuban participation in the OAS—though Cuba was uninterested—G-77, CECLA, and hemispheric conferences. At the same time, he began to promote US-Cuban rapprochement. As his suspicions regarding Cuban involvement with Mexican guerrillac began to ease later in his term, he increasingly argued that the US must draw Cuba out of the Soviet orbit. Lopez Portillo has also offered to mediate US-Cuban differences in order that Cuba may become more fully integrated into the Latin American family of nations.

During the early 1970s, Mexico resolved a number of differences with Cuba, including extradition of skyjackers (1971) and Cuban fishing in Mexico's exclusive economic zone (1976). A large number of reciprocal visits were made by cabinet heads and technical and parliamentary delegations, culminating in Echeverria's state visit to Cuba in August 1975. Castro believed relations had reached an all-time high, and the visit was a political success for Echeverria.

Navertheless, it appears that the two leaders did not hit it off personally. Cuba's involvement in Angola shortly afterward threatened to cloud relations, but Echeverria tended to blame the USSR for the Cuban action. When Echeverria left office, relations were friendly, Relations cooled a bit after Lopez Portillo took office, if only because the inordinate atmospherics of Echeverria passed from the scene. With the economic squeeze in Mexico, Lopez Portillo kept a tighter rein on export credits for Havana and played down Mexico's ties to Castro in order to placate conservative business elements in Mexico whose cooperation he needed in order to restore economic stability. When the technical-scientific and cultural-educational conventions were renewed in August 1977, the former were brought more into balance and the latter reduced.



Roel and his Cuban counterpart, Isidoro Malmierca, exchanged visits in December 1977, and January 1978. The standard agreements and exchanges were signed, but little of significance transpired. At the same time, there has

been increasing contact between officials of both countries and reciprocal travel.

Economic relations between the two countries remain modest, although the easing of Mexico's economic problems makes greater interchange possible. Still, Mexico generally does not see itself as a creditor, which is what Cuba needs. In the past, Mexican loans through the National Foreign Trade Bank were on strict, essentially commercial bank terms, with no political considerations, In 1978 the two countries signed a \$10 million credits agreement in which Mexico was basically the creditor, because the small volume of trade between the two was and remains heavily in Mexico's favor. Cooperation in various areas of the sugar industry continues, but not on a major scale.